EMPLOYEE HANDOUT
INFORMATION FOR
PROSPECTIVE RETIREES

COMMENCEMENT DATE OF ANNUITY: If you retire voluntarily under the Civil Service Retirement System (CSRS), you can set your retirement date for the first, second, or third day of the month and your annuity begins to accrue the following day.

For example, assuming your retirement is effective April 3rd; your first annuity payment will be for the period April 4th through April 30th. However, if you retire voluntarily later than the third day of the month, your annuity will not begin to accrue until the first day of the following month. In this instance, your annuity would not begin to accrue until May 1st. If you retire voluntarily under the Federal Employees Retirement System (FERS) on April 1st, your annuity will not begin to accrue until May 1st. While, if you set your retirement date for March 30th, your annuity will begin to accrue on April 1st.

PROCESSING YOUR RETIREMENT APPLICATION: You will be responsible for completing a retirement application and other required forms. Your Human Resources Office (HRO) will: review your application, verify your service, and forward your package to the servicing payroll office. The retirement record card (reflects your pay and retirement history) will be added to your package and forwarded to the Office of Personnel Management (OPM). The Retirement Operations Center at Boyers, PA will review your package and assemble your information into a retirement file. If your entitlement to an annuity is valid, typically OPM will authorize recurring interim annuity payments to provide you with income until your claim is decided. Interim payments are generally authorized within 8 to 10 days after OPM receives your retirement package. You should confirm with your HRO, typically how long it takes for your retirement package to reach OPM. Your first interim payment should be received within 2 to 3 weeks after OPM receives your retirement package. You will be assigned a Civil Service Annuity (CSA) number by OPM. You must use your CSA number when contacting OPM.

INCOME TAX: Your federal annuity is fully taxed, except for a small tax-free portion. If OPM does not have information for your Federal tax withholding rate, they will withhold your taxes as if you are married and claiming three allowances. You can ensure that your Federal taxes are withheld at the correct rate by submitting a W-4P, Withholding Certificate for Pension and Annuity in your retirement package. Information on the taxation of your annuity is explained in *IRS Publication 721, Tax Guide to U.S. Civil Service Benefits*, can be obtained by calling 1-800-TAX-FORM or via the IRS website (www.irs.gov).

OPM has agreements with some states to allow the withholding of state income taxes from your annuity payment. If your state does not have an agreement with OPM, then OPM's computer system will not accept a request to withhold state tax. For additional information, visit OPM's website at http://www.opm.gov/retire/html/library/taxlist.asp.

ANNUAL LEAVE: Your lump sum leave is based on the rate of pay you receive at separation. You are entitled to an adjustment to your lump sum leave payment whenever the law changes the pay you will receive during your projected leave period. For example, if the pay adjustment is effective January 2nd, your projected leave on and after this date will be paid at the higher rate. Deductions for: Social Security (if applicable), Medicare and Federal/ State tax will be deducted from your lump sum payment in the year that payment is received.

Be mindful that when you retire, you may be eligible to receive a large lump sum payment for your unused annual leave. Taxes will be applied to your lump sum payment, in the year in which you receive payment. For example, if you retire September 30th, you could incur a larger tax burden by collecting almost a full year's salary plus a large lump sum payment for unused annual leave.

LEAVE ACCRUALS: Leave can only be earned for complete pay periods (when you have completed your scheduled tour of duty). Retiring on any day of a pay period, except the **last day**, will prevent you from earning leave for that pay period. Thus, your lump sum payment could be less than you had anticipated.

CREDIT FOR SICK LEAVE: Creditable civilian and military service combined with credit for unused sick leave is used to compute length of service for your annuity computation. Your length of service includes only full years and full months (excluding days). A FERS employee, who retires through December 31, 2013, will receive 50% credit for unused sick leave. Your sick leave credit will be used in your annuity computation. If you retire on or after January 1, 2014, and are covered under FERS, you will receive 100% credit for unused sick leave in your annuity computation. Sick leave cannot be used to satisfy the minimum length of service for retirement eligibility. We advise that you consider all aspects closely; remembering that OPM computes your official length of service and annuity.

COST-OF-LIVING ADJUSTMENT (COLA): COLAs are allowed by law and will increase your annuity. The amount of the annual adjustment depends on the Consumer Price Index (CPI) increase. When OPM adjusts your payments, they will send you a statement showing the effect of the increase on your annuity.

For CSRS retirees, the first COLA is prorated by using the following formula:

$$\frac{\text{COLA rate}}{12} \times \text{Number of months on annuity roll} = \text{Prorated COLA}$$

A FERS retiree does not receive a COLA until age 62, unless retired under special provisions (such as law enforcement, firefighter, or air traffic controller). This increase is normally 1% less than the increase in the CPI as determined by law.

LIFE INSURANCE

Basic Insurance: Life insurance coverage can be continued into retirement if you were insured for five years preceding your annuity start date or for all period(s) which coverage was available to you. You must maintain your Basic life insurance, in order to keep your Optional coverage.

If you do not make a Post-65 election; you will be enrolled via "default election". The default election will enroll you automatically for Basic life insurance with 75% reduction, unless you made a prior election for partial living benefit.

The Basic life insurance with 75% reduction will cause your Basic life insurance coverage to begin to reduce at the end of the month, after you reach age 65(or when you retire, whichever is later). As a retiree you will have three options:

(1) 75% Reduction: Cost before age 65 = $0.325 per $1,000 of Basic Insurance; after age 65= FREE. The amount of your insurance reduces 2% per month after age 65 until the Basic Insurance Amount (BIA) has reduced to 75% minimum; 25% of your BIA will be payable for the employee's death benefit.

(2) 50% Reduction: Cost before age 65 = $0.925 per $1,000 of BIA; after age 65***** = $0.60 per $1,000. The amount of your insurance reduces 1% per month after age 65, until the BIA has reduced to 50% minimum: 50% BIA will be paid as the death benefit. ***You will be required to pay premiums for life with the 50% election.**

(3) No Reduction: Cost before age 65= $2.155 per $1,000 of BIA; after age 65* = $1.83 per $1,000. The amount of your insurance will equal 100% BIA and is retained after age 65. ***You will be required to continue to pay premiums for life, unless you cancel or elect 75% reduction**.

Optional Insurance: You will be responsible for the entire premium for Optional insurance coverage:

Option A - Standard: Your Option A coverage will begin to reduce by 2% monthly, the second month, after you reach age 65 or the second month after you retire, whichever is later, until it reaches 25%of the face value ($2,500). Premium deductions will be withheld from your annuity through the end of the month that you reach age 65. There is no cost to you for Option A, after you reach 65.

Option B - Additional: You may elect either Full Reduction or No Reduction. If you elect Full Reduction your premiums will be deducted from your annuity until you reach age 65. Your premiums will be based on your age, and will be deducted at the same rate when you were an employee. On the first day, of the second month, after you reach age 65, or the first day of the second month after you retire, whichever is later; your Full Reduction multiple(s) will begin to reduce. The reduction will be 2% per month for 50 months, at which time your coverage will cease. However, your premium(s) will be withheld for the month that you reach 65.

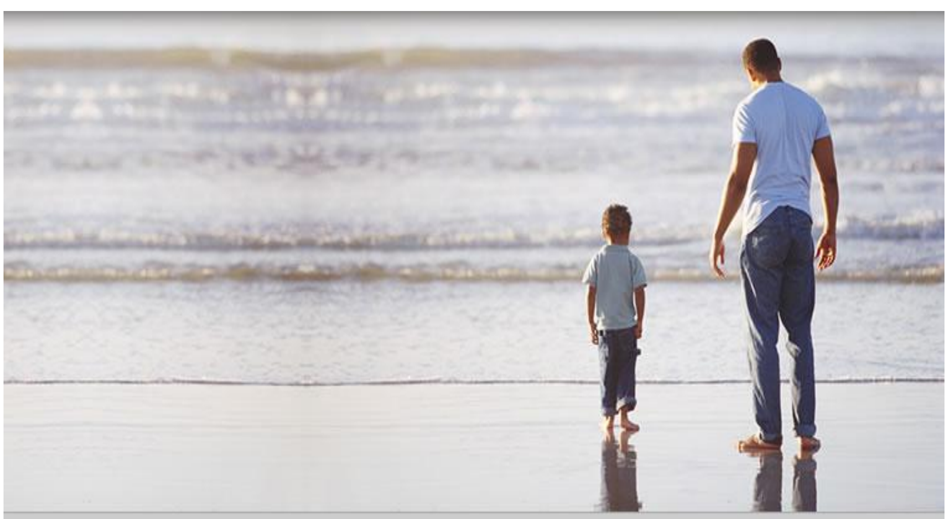
If you elect No Reduction for some or all of your Option C multiples; your withholdings will be adjusted to reflect the number of multiples that you elected to retain at No Reduction. All reductions except for, the No Reduction multiples will begin to reduce as described above. When you reach age 65 or at retirement, whichever is later, your premium withholdings for any or all multiples will be adjusted. This adjustment will reflect the number of multiples you chose to retain at No Reduction. Any other multiple(s) will begin to reduce at the previously described rate.

Option C – Family Insurance: You may elect either Full Reduction or No Reduction for each Option C multiple. If you elect Full Reduction for all multiples, until you reach age 65, premiums (based on your age), on the first day of the second month after you reach 65, or the first day of the second month after you retire, whichever is later, your Full Reduction multiples will begin to reduce by 2% of the face value monthly for 50 months, at which time your coverage will end. Your premiums for this coverage will be withheld from your annuity through the month in which you reach age 65.

You will be afforded another opportunity by OPM prior to your reaching age 65. At this time, you can elect either Full Reduction or No Reduction for your Options B and C multiple(s). For additional information please visit: http://www.opm.gov/insure/life/rates/an_rates

HEALTH INSURANCE: Health insurance continues if you have been covered by your own enrollment or covered as a family member under another's FEHB enrollment, since first eligible to elect FEHB or for five continuous years immediately prior to the date of your retirement, and you are eligible for an immediate annuity. Your premium will remain the same as when you were an employee. You will be notified by OPM concerning Open Season. If you are not in receipt of cash benefits from Social Security at age 65; you must register for Medicare with your local Social Security office. Medicare becomes your primary payer and your FEHB plan will be secondary; when you are a retiree and 65. You should consider retaining your FEHB coverage although Medicare is your primary plan/payer. If you elect a survivor benefit for your spouse at your retirement and you are enrolled in self and family coverage; he/she might be eligible to continue FEHB if you die.

FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP):
FLTCIP is portable, therefore, if you are currently covered by Long Term Care (LTC), coverage will continue. You will need to make arrangements with LTC Partners to ensure premiums are not interrupted. Premiums may be withheld from your annuity payment.



If you are not currently covered by LTC, you may apply for this coverage directly with LTC Partners via the web site, www.ltcfeds.com. You will be subject to full underwriting which means, LTC may require your detailed health information. You can apply at anytime.

FLEXIBLE SPENDING ACCOUNT (FSA): If you retire before the end of the benefit period, the balances in your Dependent Care FSA (DCFSA) and Health Care FSA (HCFSA) will be treated differently. Your HCFSA will terminate when you retire. There will be no extension of benefits. Any health care expenses incurred prior to retirement will still be reimbursable but those incurred retirement will not. You can continue to use the remaining balance in your DCFSA to pay for eligible dependent care expenses until the end of the benefit period or until your account balance is depleted, whichever comes first. Balances remaining in the two accounts cannot be disbursed through a lump sum payment to you. For additional information on the FSA program, refer to the website, www.fsafeds.com.

FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP): If you are enrolled in FEDVIP, you can elect to continue your coverage as a retiree. Your premiums can be withheld from your annuity. You are not required to contact BENEFEDS when you retire, however, you can speed up the process by notifying them on their website, www.BENEFEDS.com. If you do not have access to a computer please call 1-877-888-FEDS (1-877-888-3337), TTY 1-877-889-5680. If you are not currently covered by FEDVIP, you may enroll during the Open Season period.

THRIFT SAVINGS PLAN (TSP): If you are enrolled in TSP when you retire, you will be given information explaining your options. You will not be required to make an immediate decision concerning your TSP account when you retire. You may choose to leave your money in your account. Your will continue to accrue interest and continue to have the opportunity to make inter fund transfers if your money is not moved/disbursed.

TSP provides you several withdrawal options for your account: 1) a partial withdrawal from your account in a single payment; 2) a full withdrawal from your account by one, or any combination, of the following methods – single payment, series of monthly payments, and a life annuity; or 3) transfer all or part of any single payment or in some cases, a series of monthly payments, to a traditional Individual Retirement Account (IRA) or eligible employer plan.

Upon your retirement you will be provided forms requiring elections/ decisions. If you decide to leave your money in the account, you cannot make contributions and you will have to begin receiving payments by April 1 of the year following the year in which you turn age 70-1/2. You should ensure that the TSP Service Office always has your current address. Your Participant Statements will continue to be available on the TSP web site, or if you prefer, you can request that your personal Participant Statement be mailed to you. For up-to-date information, refer to the TSP Highlights found on the TSP website, www.tsp.gov.

PAYMENT SCHEDULE/INTERIM PAY: You should receive your last paycheck on the prescribed date. After OPM has received your retirement records, you should receive an interim payment equal to approximately 85% of your full annuity. This process should take about 8 weeks following your retirement date (dependent on workload). While you are receiving interim payments OPM will withhold only Federal income tax. No deductions will be withheld for health and/or life insurance. The interim payment schedule will continue, until your retirement application has been finalized by OPM. You will receive a full annuity check including any accrued retirement pay minus FEHB, FEGLI, and required deductions. These deductions and credits will be retroactive to the commencing date of your annuity.

When OPM finishes processing your application they will send you a personalized statement titled, “Your Federal Retirement Benefits”. This statement will provide details concerning your annuity. It will explain your health and life insurance coverage and provides information you will need to prepare your returns.

PERMANENT ADDRESS: Your current address on file with your payroll office will be forwarded to OPM. When completing your retirement application, you should ensure the address should is the same as the one on file with your payroll office. If your address has changed, you must submit a change of address with OPM. Your retirement information will be sent to your address on file at OPM.

DIRECT DEPOSIT: At retirement your allotments as an employee will stop. Electronic Funds Transfer (EFT) information will transfer from payroll to OPM. OPM will send your annuity payment to this account. All Federal payment recipients are required to receive their annuity by EFT, <u>if possible</u>. The only exception is for those individuals who **certify in writing** that they do not have a checking or savings into which their payments could be directly deposited, and that accounts have not been established on their behalf by authorized payment agents. In this situation, your payment will be mailed to you in the form of a check.

CONTACTING OPM: Once you receive your CSA number, you can contact OPM by calling their Retirement Information Office at either the nationwide toll-free number, 1-88 US OPM RET (1-888-767-6738) or for customers within the Washington, D. C. calling area (202) 606-0500, or for hearing impaired customers, 1-800-878-5707 (TDD). When you call, you can use the automated phone system that is available 24 hours a day, seven days a week, or talk to a Customer Service Specialist from 7:30 a.m. to 7:45 p.m. Eastern time, Monday through Friday.

To use the automated phone system feature you will need your CSA number and your Personal Identification Number (PIN). After OPM processes your retirement application, they will send you a PIN. You can obtain a PIN by calling a Customer Service Specialist, who will arrange to have a PIN mailed to you.

Some of the things you can accomplish the automated system:

- Report a missing payment
- Change your address
- Change Federal and State income tax withholding amounts
- Request verification of your income
- Request the current value of your life insurance
- Request verification of the survivor benefits you are providing
- Request retirement forms and brochures

OPM is continuing to add features to the automated system to permit self service. The automated features are not available if you use a rotary telephone. You would need to speak to a Customer Service Specialist. You can also contact OPM through the on-line web service at https://www.servicesonline.opm.gov. OPM's main retirement web site is www.opm.gov/retire.

If you need to write to OPM, the mailing address for general correspondence is:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

If interested in signing up for OPM's email automated updates; Fed-Retire. This is an automated email distribution list which sends out information about changes and enhancements to OPM's program and services. Information will be sent automatically via email about retirement related issues. To subscribe, visit https://www.servicesonline.opm.gov.